

Golden Rule 2019 Pre-ACA Rate Filing Observations

- The 11% average rate increase proposal affects the company's pre-ACA (grandfathered and transitional) blocks of business. The 11% initial proposal is a flat across-the-board rate increase, does not vary by plan, and covers 3,638 Iowa lives on over 11.5-million dollars of Iowa premiums.
- For any medical insurance rate increase proposal, the review involves analyzing the carrier's experience (premiums vs. claims), trend (the growth in the cost of the claims caused by unit cost increases along with utilization increases), and other assumptions to determine if the rate increase proposal is actuarially justified. A technically sophisticated analysis with several different models are utilized to gauge the validity and reasonableness of the proposal. The type of analysis utilized, the formulas and methodology, and overall process have developed over a period of many years and have been reviewed by consulting actuaries for completeness and appropriateness.
- Two reviews are conducted to confirm the carrier's proposal. An internal review is conducted by the Insurance Division's health team and another review is independently conducted by a consulting actuary (of our choosing) on a contracted basis. The dual review system has been in place for 10-years. Along with the key observations noted here, we will also post the consulting actuary's written report on our website after the Commissioner issues his ruling.
- Key observations from the IID review: Un-trended past loss ratios for this block have averaged about 80.57% over the last 28-months. (Federal law requires a minimum medical loss ratio (MLR) of at least 80% otherwise the carrier must rebate premiums to affected Iowans). In the absence of a rate increase for calendar year 2019, the IID projects a loss ratio of nearly 85%; this exceeds the 80% minimum and thus demonstrates the need for an increase in premiums.
- IID trend models justify a trend rate approaching 10% based upon a review of the PMPM claims and adjusted loss ratios. With the current loss ratios and the growth of claims increasing between 9 and 10 percent, the IID's projected loss ratio dips just below 80% after the *7.9% rate increase is applied. After adjustments are made to account for taxes, license, and fees in the federally prescribed medical loss ratio (MLR) formula – the projected MLR is greater than 80% after the increase is implemented. In the event the MLR dips below 80% with the revised rates (over a 3-year rolling basis), affected Iowans will receive a rebate under Federal law.
- * After the initial review was conducted internally by the IID and externally by the consultants assigned to the filing, a slight modification to the proposal was deemed necessary to secure approval. The primary reason for the 3-point modification (11% as filed down modified to 7.9%) to the proposal is due to the observation that the current 2018 Iowa loss ratio is favorable. With the 3-point modification, the projected MLR (assuming a 7.9% increase), is greater than 80%. The decision to approve or disapprove the modified proposal ultimately rests with the Commissioner.
- The average premium increase is approximately \$21/ month, i.e., \$293 (2019 projected average premium) less \$272 (current average premium). This is an average based upon all members, all age groups, all benefit plans, all geographic regions, etc).